



NEW HORIZON COAL LTD

ABN 61 143 932 110

Interim Financial Report

31 December 2016

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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements dated 30 June 2016 and any public announcements made by the Company during the period from 1 July 2016 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors

Tony Brennan
Non-Executive Chairman

Gary Steinepreis
Non-Executive

Carl Coward
Non-Executive

Company Secretary

Gary Steinepreis

Registered Office

Level 1, 33 Ord Street
West Perth WA 6005
Telephone: 08 9420 9300
Facsimile: 08 9420 9399

Share Register

Computershare Investor Services Pty Ltd
Reserve Bank Building
Level 11
172 St George's Terrace
Perth WA 6000
Investor enquiries: 1300 557 010
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: 08 6382 4600
Facsimile: 08 6382 4601

Stock Exchange Listing

New Horizon Coal Limited shares are listed on the Australian Securities Exchange (ASX), home branch, Perth.
Code: Shares – NHO (currently suspended)

Website

www.newhorizoncoal.com.au

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of New Horizon Coal Ltd and the entities it controlled at the end of, or during, the half year ended 31 December 2016 (**New Horizon Coal** or **the Company** or **Group**).

DIRECTORS

The names of each person who has been a director during the interim reporting period and to the date of this report are:

Tony Brennan

Gary Steinepreis

Carl Coward

Michael Placha (Retired 30 November 2016)

COMPANY SECRETARY

The company secretary is Gary Steinepreis.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The Company has been evaluating new acquisition opportunities, both in Australia and overseas.

On 5 January 2017, the Company entered into two agreements, one to acquire the Trinity Oil Project and the second to acquire the Presidio Oil Project (together, the **Projects**). Both Projects are located in Texas, USA.

After reviewing many potential transactions, the Board decided to acquire the Projects because of a number of attractive factors, including:

- (a) the potential for discovery of commercial deposits of oil at the Projects, and assuming successful discovery, the potential volume of oil that may be the subject of successful commercial extraction;
- (b) the quality of the geological work previously undertaken on the Projects by the Vendors;
- (c) the size of the acreage that constitute the Projects and the terms and conditions of the oil and gas leases the subject of the Projects; and
- (d) the low capital expenditure and operating costs of the oil business in Texas, USA when compared to other jurisdictions such as Australia.

The total combined purchase price to be paid by the Company for the Projects is US\$1,450,000 cash plus 240,000,000 Shares along with 240,000,000 Performance Rights. The purchase of the Projects by the Company is subject to and conditional upon the successful completion of the Entitlement Offer (refer below).

At the General Meeting held on 6 February 2017, the Company received the requisite Shareholder approvals to purchase the Projects and undertake the Entitlement Offer which included a consolidation of capital on a 1 for 2 basis so that the current issued capital is now 118,000,025 ordinary shares and no other securities on issue.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS continued

Under the Entitlement Offer by way of a Prospectus, Shareholders are entitled to apply for eight (8) Shares for every one (1) Share held on the Record Date of 22 February 2017 at an issue price of \$0.02 per Share, to raise up to \$18,880,000 (before costs), subject to the Minimum Subscription of \$12,000,000 being raised.

Assuming completion of the Entitlement Offer and settlement of the Acquisitions, the Company proposes to immediately commence drilling on the Presidio Oil Project, with the intention of completing three conventional vertical wells on the Presidio Oil Project by 31 December 2017. Simultaneously, the Company, by itself or with a farminee joint venturer, intends to drill a vertical fracked well by 31 December 2017 through the "Eaglebine/BudaRose" section on the Trinity Oil Project.

The Projects and Prospectus have been issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the ASX Listing Rules required due to the Acquisitions comprising a change to the nature and scale of the Company's activities.

OPERATING RESULT

The profit from operations for the half year ended 31 December 2016 after providing for income tax was \$1,776,667 (2015: Loss \$113,486). The total comprehensive loss for the half year ended 31 December 2016 after providing for income tax was \$113,417 (2015: Loss \$113,554).

Additional information on the operations and financial position of the Group and its business strategies and prospects is set out in this directors' report and the interim financial report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this interim report.

Signed in accordance with a resolution of the board of directors



Gary Steinepreis
Director
16 March 2017

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF NEW HORIZON COAL LIMITED

As lead auditor for the review of New Horizon Coal Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of New Horizon Coal Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2017

New Horizon Coal Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half Year Ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue from operations		2,003	4,730
Administration costs		(63,713)	(15,588)
Corporate compliance costs		(41,245)	(23,278)
Corporate management fees		-	(12,000)
Audit fees		(10,462)	(8,556)
Salaries and superannuation		-	(33,900)
Closure costs for Kinney Coal project		-	(24,894)
Net gain on disposal of subsidiary	3	1,890,084	-
Profit before income tax		1,776,667	(113,486)
Income tax expense		-	-
Profit after income tax for the half-year		1,776,667	(113,486)
Other Comprehensive Loss			
Items that will be reclassified to profit or loss			
Realisation of foreign currency translation reserve	3	(1,890,084)	-
Foreign currency translation difference		-	(68)
Total comprehensive loss for the period attributable to the members of New Horizon Coal Ltd		(113,417)	(113,554)
		Cents	Cents
Loss per share for comprehensive loss for the period attributable to the members of the Company:			
Basic and diluted loss per share		(0.048)	(0.048)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd
Consolidated Statement of Financial Position
As At 31 December 2016

	31 Dec 2016	30 June 2016
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	471,517	577,848
Trade and other receivables	72,760	1,846
Total current assets	544,277	579,693
Total assets	544,277	579,693
LIABILITIES		
Current liabilities		
Trade and other payables	97,798	19,798
Total current liabilities	97,798	19,798
Total liabilities	97,798	19,798
NET ASSETS	446,479	559,895
EQUITY		
Contributed equity	20,372,705	20,372,705
Reserves	-	2,166,104
Accumulated losses	(19,926,226)	(21,978,914)
TOTAL EQUITY	446,479	559,895

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd
Consolidated Statement of Changes in Equity
Half Year Ended 31 December 2016

2016	Contributed equity \$	Option premium reserve \$	Share reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance 1 July	20,372,705	183,812	92,209	1,890,083	(21,978,914)	559,895
Loss for the half-year	-	-	-	-	1,776,667	1,776,667
Effect of translation of foreign currency operations to group presentation currency upon loss of control of subsidiary	-	-	-	(1,890,084)	-	(1,890,083)
Total comprehensive gain (loss) for the half year	-	-	-	(1,890,084)	1,776,667	(113,416)
Transactions with owners in their capacity as owners: Transfer to accumulated losses on expiry of options		(183,812)	(92,209)		276,021	-
Balance 31 December	20,372,705	-	-	-	(19,926,226)	446,479

2015	Contributed equity \$	Option premium reserve \$	Share reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance 1 July	20,372,705	183,812	92,209	1,890,791	(21,790,335)	749,182
Loss for the half-year	-	-	-	-	(113,486)	(113,486)
Exchange difference on foreign operations	-	-	-	(68)	-	(68)
Total comprehensive gain (loss) for the half year	-	-	-	(68)	(113,486)	(113,554)
Balance 31 December	20,372,705	183,812	92,209	1,890,723	(21,903,821)	635,628

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

New Horizon Coal Ltd
Consolidated Statement of Cash Flows
Half Year Ended 31 December 2016

	2016	2015
	\$	\$
Cash flow from operating activities		
Interest received	2,003	4,730
Payments to suppliers and employees	(108,260)	(136,648)
	(106,257)	(131,918)
Net cash outflow from operations		
	(106,257)	(131,918)
Net decrease in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	577,848	778,658
Effect of exchange rate changes on cash and cash equivalents	(74)	39
	471,517	646,779
Cash and cash equivalents at the end of the period		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This general purpose interim financial report includes the financial statements and notes of New Horizon Coal Ltd, a public limited entity, and its controlled entities for the half-year ended 31 December 2016.

(a) Basis of preparation

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all of the information required for full annual financial statements and should be read in conjunction with annual report dated 30 June 2016 any public announcements made by the Company during the period from 1 July 2016 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied by the Group and are consistent with those applied in the previous financial year and those of the corresponding interim reporting period.

In the half year ended 31 December 2016, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

2 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being the mining and exploration sector.

The chief operating decision makers look at areas of interest when reviewing exploration activities and the allocation of resources to the segment and to assess its performance. For the Period under review, the Group operated as one business.

The Board of Directors review internal management reports on a monthly basis that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

3 Net gain on disposal of foreign subsidiary

On 22 December 2016, the Company deconsolidated its 100% interest in its subsidiary, Wasatch Natural Resources LLC, via voluntary cancellation and deregistration. The Company recognised a net gain on disposal of \$1,890,084 for the half year, and the subsidiary was deconsolidated from the Group at 31 December 2016. This gain takes into account the foreign currency translation gain of \$1,890,084, which has been realised and transferred from the foreign currency translation reserve to profit and loss.

4 After Reporting Date Events

On 5 January 2017, the Company entered into two agreements, one to acquire the Trinity Oil Project and the second to acquire the Presidio Oil Project (together, the **Projects**). Both Projects are located in Texas, USA.

After reviewing many potential transactions, the Board decided to acquire the Projects because of a number of attractive factors, including:

- (a) the potential for discovery of commercial deposits of oil at the Projects, and assuming successful discovery, the potential volume of oil that may be the subject of successful commercial extraction;
- (b) the quality of the geological work previously undertaken on the Projects by the Vendors;
- (c) the size of the acreage that constitute the Projects and the terms and conditions of the oil and gas leases the subject of the Projects; and
- (d) the low capital expenditure and operating costs of the oil business in Texas, USA when compared to other jurisdictions such as Australia.

The total combined purchase price to be paid by the Company for the Projects is US\$1,450,000 cash plus 240,000,000 Shares along with 240,000,000 Performance Rights. The purchase of the Projects by the Company is subject to and conditional upon the successful completion of the Entitlement Offer (refer below).

At the General Meeting held on 6 February 2017, the Company received the requisite Shareholder approvals to purchase the Projects and undertake the Entitlement Offer which included a consolidation of capital on a 1 for 2 basis so that the current issued capital is now 118,000,025 ordinary shares and no other securities on issue.

Under the Entitlement Offer by way of a Prospectus, Shareholders are entitled to apply for eight (8) Shares for every one (1) Share held on the Record Date of 22 February 2017 at an issue price of \$0.02 per Share, to raise up to \$18,880,000 (before costs), subject to the Minimum Subscription of \$12,000,000 being raised.

Assuming completion of the Entitlement Offer and settlement of the Acquisitions, the Company proposes to immediately commence drilling on the Presidio Oil Project, with the intention of completing three conventional vertical wells on the Presidio Oil Project by 31 December 2017. Simultaneously, the Company, by itself or with a farminee joint venturer, intends to drill a vertical fracked well by 31 December 2017 through the "Eaglebine/BudaRose" section on the Trinity Oil Project.

The Projects and Prospectus have been issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the ASX Listing Rules required due to the Acquisitions comprising a change to the nature and scale of the Company's activities.

Other than as reported above in the principal activities and review of operations, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

- 1. the Group's operations in future financial years, or
- 2. the results of those operations in future financial years, or
- 3. the Group's state of affairs in future financial years.

5 Contingencies and Commitments

There are no contingent liabilities or commitments for the half year.

6 Related Party Transactions

There are no related party transactions for the half year.

7 Fair Value Measurement of Financial Instruments

The Company does not have any financial instruments that are subject to recurring fair value measurements.

Due to its short-term nature, the carrying amount of current trade and other receivables is assumed to approximate its fair value.

New Horizon Coal Ltd
Directors' Declaration
31 December 2016

The Directors' of the Group declare that:

- 1 The interim financial statements and notes as set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, and
 - (i) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position of the Group as at 31 December 2016 and of its performance to the half-year ended on that date.
- 2 In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Gary Steinepreis
Director
West Perth
16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of New Horizon Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of New Horizon Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of New Horizon Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of New Horizon Coal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of New Horizon Coal Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 16 March 2017